

INITIAL STATEMENT OF REASONS

CALIFORNIA SCHOOL FINANCE AUTHORITY

Article 1.5, Sections 10165 to 10170

Title 4, Division 15

California Code of Regulations

INTRODUCTION

The California School Finance Authority (Authority) is organized and operated pursuant to sections 17170 through 17199.5 of the California Education Code (Act).

The Authority was created in 1985 to provide tax-exempt, low cost financing to school districts and community college districts for use in the repair and construction of school facilities as well as provide financing for working capital purposes. At the time the Authority's statute was created, charter schools did not exist and therefore were not listed in the definition of entities able to access financing through the Authority. Since the passage of the Charter School Act of 1992, charter schools have become a viable option for those seeking choice in education, and as of the 2006-07 school year, approximately 600 charter schools serve over 180,000 California public school students. With the passage of Assembly Bill 2717 (Statutes of 2006, Walters), the term "charter school" has been added to the Authority's statutory definition of participating party, allowing charter schools to access financing through the Authority. Effective January 1, 2007, the Authority may serve as a conduit issuer, and issue debt on behalf of charter schools. Debt issued on behalf of a borrower through the Authority is not deemed to constitute a debt or a liability of the Authority, the State, or any political subdivision thereof.

Education Code section 17171 provides that the Authority may serve as a conduit issuer and issue debt on behalf of charter schools. Education Code section 17180 authorizes the Authority Board to adopt bylaws for the regulation of its affairs. The Authority proposes to adopt sections 10165 through 10170 in title 4 of the California Code of Regulations, for the administration of a financing program for charter schools.

1. Specific purpose of the regulation.

Section 10165. Purpose: States that the purpose of the Article is to implement the Authority's regulatory requirements for administration of the financing program for California charter schools.

Section 10166. Definitions: Defines the meaning of the words and phrases used in the article.

Section 10167. Eligible Applicant: Provides the eligibility criteria that must be met before an applicant may apply for financing through the Authority.

Section 10168. Evaluation of Applicants: Describes the areas of evaluation that may be used in evaluating an application for financing.

Section 10169. Application Submission: Identifies the materials to be submitted at the time of application for financing.

Section 10170. Fees: Sets out the fees that shall be charged for reasonable and necessary administrative and program expenses, including but not limited to an application fee, an Authority fee, and a transaction fee.

2. Rationale for Necessity.

Sections 10165-10170. The Legislature adopted the California School Finance Authority Act in 1988 because it had found it was in the interest of the State and its people for the State to assist California's public schools with facilities and working capital and capital improvements. In 2007, the Legislature determined that these services should also be available to California's charter schools. Education Code section 17180 authorizes the Authority Board to adopt bylaws for the regulation of its affairs. It is necessary that the Authority adopt these regulations establishing uniform terms and conditions that shall apply equally to all projects for financing.

3. Material Relied Upon.

Sections 10165-10170. The Authority did not rely upon any technical, theoretical, or empirical studies, reports or documents in proposing the adoption of this regulation.

4. Reasonable alternative to the regulations and the agency reasons for rejecting those alternatives, including those that would lessen any adverse impact on small business.

Sections 10165-10170.

No other alternatives to the proposed regulations implementing the finance program were presented to or considered by the Authority. The establishment of uniform terms and conditions for the Authority's financing program will not create an adverse impact on small business.

5. Determination of no significant statewide adverse economic impact directly affecting business.

Sections 10165-10170.

The Authority has not identified any adverse impacts nor have any adverse impacts otherwise been identified and brought to the attention of the Authority that would affect businesses. In fact, the financing program will assist business by providing eligible California public charter schools with financing opportunities for working capital for facility expansion and renovation.

6. Identification of any conflict and duplication of federal regulations.

Sections 10165-10170.

The Authority has not identified any conflict or duplication of federal regulations nor have any conflict or duplication otherwise been identified and brought to the attention of the Authority.